

DRAFT, December 4, 2000

WORKING CAPITAL FUND BOARD
MINUTES OF MEETING
November 30, 2000
(1:30-3:30 PM)

Attendees: See attached list.

(1) Introduction

The Chair, David M. Klaus called the meeting to order.

(2) Minutes of July 26, 2000 Board Meeting

The Board approved the minutes of the July 26, 2000 Board meeting without change, not withstanding the impact of Board decisions related to proposed Information Technology business lines from this meeting.

(3) Next Steps on Information Management Business Lines

The Acting Chief Information Officer, Nancy Tomford, addressed the Board related to recent FY 2002 budget feedback to the proposed changes to the Working Capital Fund. These decisions affect the July 2000 actions taken by both the Executive Committee on Information Management and this Board.

The CFO has recently recommended, and MA and CIO have concurred, that the proposal to move the new IT services into the WCF will be delayed until FY 2003. New WCF budget estimates will follow to all customers (minus the proposed transfer of \$4.8 million of currently CIO-funded items in FY2002 that had been proposed to finance net additions to WCF business lines). Likewise, the proposal to transfer certain customer-funded items (e.g., field FTS) will be delayed to FY2003.

Nancy indicated that the existing Working Group will address next steps in meetings over the next two weeks. Mike Telson indicated that there were too many loose ends with the issues, we need to be more comfortable with the numbers, and make a stronger case next year. He indicated that there is a better appreciation of the issues on all fronts as a result of efforts this year. Roger Lewis supports more study of the current issues with an emphasis on infrastructure requirements.

The Board approved a motion to go forward with the CIO's recommendation which includes delaying the budget proposals to FY 2003, continue working with customer organizations to refine service level agreements, develop five-year business plans, and use the working group to plan next steps.

(4) FY 2000 Annual Report

Howard Borgstrom presented the highlights of the FY 2000 Annual Report, noting that for the fourth year, the Fund has demonstrated that its operations are valued by customers, serve the Department, and remain within the fiscal and policy guidelines established by the Board and by congressional committees.

In FY 2000, business expenses exceeded customer billings (earnings) by \$ 0.2 million, but this key metric does not indicate unsatisfactory fiscal performance. For the first four years of operation, the Fund had an excess of earnings over expenses of \$ 2.1 million, or less than 1% of customer billings over the life of the Fund. This is well within the 4% target set by legislation forwarded this year by the Office of Management and Budget for franchise funds. Although the net earnings for individual business lines fluctuate between profit and loss, the Fund maintains its goal of break-even operations. All customers paid their bills, there were no violations of fund control guidelines, and the billing system continues to provide timely and accurate information to customers. The Fund continues to receive good cooperation from the Capital Accounting Center management and staff.

The format for this year's annual report has changed, to provide a more descriptive section on each of the businesses. Over recent months, the Fund management worked with Jupiter Corporation and Booz Allen Hamilton, to develop a format and an example for developing business plans using the balanced scorecard framework. The line managers in MA, CIO, and CFO have agreed to develop these plans. These five-year plans should help the fund avoid any unpleasant surprises.

Issues that require Board attention are the proposed IT business lines discussed above, the Supply business line, Mail business line, and the Payroll business line. Steve Durbin (supplies) and Jean Morgan (payroll services) are available to discuss pertinent issues. The mail line will analyze their requirements and may need to return to brief the Board in the future.

Note: At this point David M. Klaus left the meeting and Howard Borgstrom took over the Chair.

(5) Supply Business Line Transition: Status Update from the Working Group

Steve Durbin presented the finding from the working group:

- \$ Propose the WCF utilize the National Industries for the Blind (NIB) to operate the supply stores.
- \$ The NIB contractor will continue current services in a consistent manner with customer expectations.
- \$
- \$ Several items related to paper and pre-printed forms be transferred to the Printing business line.

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Steve emphasized that prices should decrease. Supplies will be sourced from NIB suppliers with an average overhead of 10% compared to the current overhead rate of 30%.

The Board voted to adopt the proposal of the working group.

(6) Payroll and Personnel Business Line: Status Update on Payroll System

Jean Morgan, Director of the Capital Accounting Center, presented an update on the payroll system. She discussed the history of the outsourcing decision, different federal payroll providers, and the difficulty of implementing the PeopleSoft payroll solution. The business line is reviewing an outsourcing alternative offered by GSA. Operating costs are estimated at \$97/person compared to the FY 2001 rate of \$265/person. Current estimates to implement PeopleSoft are \$7 million. Concerns include the capacity of GSA to handle the additional workload and losing the integration of personnel and payroll offered by PeopleSoft.

Board members are concerned with the failure of PeopleSoft and further spending on that software. There is some sentiment to pursue a full blown SIM process to support this decision. There is concern over the cost and source of funds for another study. The Board finally recognized the need for a dual approach, to keep the Department's interest in PeopleSoft minimally active and to study other options.

Recommendation: After consideration of systems, staffing and funding supporting this function, it is recommended that the Department contract with Booz, Allen and Hamilton to:

- \$ Review the previous studies to verify cost projections,
- \$ Determine the level of GSA customer satisfaction,
- \$ Determine the impact on Working Capital Fund customers, and
- \$ Determine if additional studies are needed.

The Board endorsed the recommendation with the caveat that the cost of the study should be reviewed by a working group if it exceeds \$150,000. The working group now consists of Chuck Roy, Steve Durbin, and Roger Lewis. The Fund Manager invited all Board members to participate in the working group.

The results of the study will be discussed at the next quarterly meeting of the Board.

(7) Dispute Resolution Council

Terms for the current members of the Dispute Resolution Council have expired. In accordance with the Board Charter Ralph Goldenberg of the General Council nominated Richard Tedrow as the Chair of the council. Howard Borgstrom took nominations from the Board for Defense Nuclear Nonproliferation, Environmental Management, Fossil Energy, Energy Efficiency & Renewable Energy, and the Director of the National Nuclear Security Administration to name

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members from among their offices for the new council. The Board approved these nominations by vote.

(8) The Board voted to adjourn.

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Meeting Attendees

BOARD:

MA David Klaus
GC Ralph Goldberg
CR Michael Telson/Tom Palmieri
DP Roger Lewis
NN Tom Ryder
EM Stephen Warren
EIA Steve Durbin
EE Steve Lee
EH Geoff Judge
NE Lang Soo-Hoo

ATTENDEES:

Linda Cutler - SO
Mike Orosz - SO
Penny Gardner - SO
Patrick Hargett - SO
Amy Ingber - SO
Maria Mikitka - OMB
Howard Landon - SO

MA:

Pete Richards
Fran Feiner
Bob Emond
Roscoe Harris
Ingrid Robinson
John Harrison
Cheryllyne Williams
Jeff Rubenstein
Karen Adams

PO Margot Anderson
FE Chuck Roy
WT Gary King
SO Nancy Holmes
SC Lorna McAllister
CIO Nancy Tomford
Secretary- Howard Borgstrom

Joanne Luczak - CR
Kristin Kuderabek - CR
Dan Bullington - GC
Barry Schrum - IG
Laura Brown - PA
Camille Jagessar - PO/IA

Tony Nellums
Marcia Morris
Louie D=Angelo
Brian Costlow
Doug Bielan
Margaret O=Brien
Mary Anderson